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C O N F I D E N T I A L SEOUL 001557

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TAGS: [PREL](#) [PGOV](#) [EAID](#) [ECON](#) [KS](#) [KN](#)
SUBJECT: BILATERAL RICE AID TO START IN LATE MAY BUT 6PT
LINKAGE PERSISTS

Classified By: POL M/C Joseph Y. Yun. Reasons 1.4 (b/d)

SUMMARY

¶1. (C) Rice assistance: MOFAT North America DG Cho Byung-jae said that the ROKG would provide some bilateral rice aid by the end of May, given political and interagency pressure to do so; ideally, the Banco Delta Asia (BDA) issue would be resolved by then and the DPRK would start Yongbyon shutdown. Foreign Minister Song Min-soon made this same point with the Ambassador on May 18, pleading for a prompt resolution of the BDA issue. Ministry of Unification Director-General for Social and Cultural Exchanges Yang Chang-seok, who oversees rice aid, said that a contract is in place to ship 5,000 metric tons (mt) of rice -- an intentionally small 1.25 percent of the 400,000 tons promised -- to the DPRK on May 30.

¶2. (C) World Food Program: Cho said that any ROKG provision of aid to the World Food Program (WFP) would have to be separate from the 400,000 mt of bilateral rice aid, both because that amount had already been pledged to the DPRK, and because it was technically a loan rather than humanitarian assistance. MOU's Yang said that the ROKG had been under the impression that its WFP contribution should, like rice aid, await progress on implementing the February 13 agreement; ROKG would now reassess this stance based on Washington's recommendation for prompt assistance. Yang said that he and his colleagues would appreciate holding consultations with the USG on the DPRK food situation. END SUMMARY.

5,000 TONS OF RICE AID BY END-MAY

¶3. (C) On May 18, POL M/C met separately with MOFAT North America DG Cho Byung-jae, MOFAT Nuclear Affairs DG Lim Sung-nam, and MOU's DG for Social and Cultural Exchanges Yang Chang-seok to inquire into ROKG plans to provide food aid to North Korea and to deliver points received by e-mail from EAP regarding food aid to North Korea (linking rice aid to 6PT progress; prompt assistance to WFP desirable; interest in bilateral discussions of food aid).

¶4. (C) MOU's Yang, who oversees a 50-person bureau with direct responsibility for rice, fertilizer and humanitarian

aid, explained that a contract was in place to have 5,000 mt of rice delivered to the North on May 30, timed to coincide with the May 29-June 1 Inter-Korean Ministerial meeting that will be held in South Korea. Recognizing the sensitivity of rice aid commencing while implementation of the February 13 "Initial Actions" agreement was still in doubt, Yang said he intentionally limited the initial shipment to a small 1.25 percent of the rice aid commitment. He added that it would be very difficult not to have any rice aid deliveries by the end of May, especially in view of the coming Inter-Korean Ministerial meeting and the May 17 test runs of the North-South rail corridors. As an aside, Yang said that during the train tests, DPRK Chief Councilor of the Cabinet Kwon Ho-ung, who has been the DPRK's chief inter-Korean representative since 2004, sat with MOU Minister Lee Jae-joung and pressed Lee for prompt rice aid. Yang said that Minister Lee in turn stressed the importance of complying with the February 13 agreement. He provided no further details on their conversation.

15. (C) MOFAT North America DG Cho said that the ROKG recognized the importance of maintaining the linkage between assistance to the North and progress on the 6PT, but that MOFAT was completely isolated within the ROKG on this point. Ideally, he said, the BDA issue would be resolved before the rice shipment date and the DPRK would start shutting down Yongbyon. But even if BDA were not resolved, the political and interagency pressure to go forward with rice aid would be difficult to counter, again citing the train test runs.

16. (C) Lim Sung-nam, the ROKG's Ambassador for North Korean Nuclear Task Force, took a similar line, saying that the "best case" scenario was for Washington to announce a resolution to the transfer of North Korean funds in BDA early next week. This would allow Seoul to make a decision on rice assistance. If a resolution took much longer, Seoul would be placed in a difficult position. Political currents were shifting in Seoul, Lim said. Senior South Korean officials were now using the phrase "mutually reinforcing" to describe the relationship between the Six Party Talks and the North-South dialogue, compared to "half step behind" only a couple of weeks ago. Lim agreed that some rice had to flow by the end of this month, whether the BDA issue was resolved or not. Perhaps, a decision on this could be held off for a short period of time, but the ROKG must see some end in sight. If Washington believed the BDA issue would be behind us by the end of the month--and conveyed this to Seoul--MOFAT would have a good reason to postpone a decision for a week or so, Lim said.

WFP AID AWAITING FEBRUARY 13 PROGRESS

17. (C) Regarding prompt contribution to the WFP, MOU's Yang said that it had been delayed pending progress on the February 13 agreement. When POL M/C explained that Washington was concerned about the WFP's DPRK program running out of funds imminently, and recommended a prompt ROKG contribution, Yang said he would recommend an immediate review with an eye toward making a contribution announcement some time in June.

18. (C) Similarly, MOFAT's Cho said that the ROKG would take into consideration Washington's request that some food aid to the North be provided through the WFP, but was firm in saying that this could not be an alternative to bilateral rice assistance, both because the ROKG had committed to providing 400,000 mt of rice aid at the February 27 - March 2 Inter-Korean Ministerial, and because the bilateral rice aid was technically a loan, rather than (grant) humanitarian assistance.

19. (SBU) WFP's Seoul representative told us on May 18 that the ROKG has indicated that it will provide 50,000 mt of maize, 1,000 mt of vegetable oil, and 1,000 mt of dried skim milk, perhaps in 2-3 months, after not providing any aid through the WFP in 2005/6. Based on the values of these

commodities as indicated in the WFP's project report for the DPRK, WFP/EB.1/2006/8/3, Annex 1, this aid would be worth USD 10.6 million.

FOOD SITUATION

¶10. (C) Yang said that the food situation in the DPRK was serious, with the DPRK likely to be running short of food by the end of May, in part because China had provided only 500,000 mt of grain last year instead of the usual 1 million mt. He said that the DPRK government could try to extend the food supply by allocating only 500 grams per person per day, instead of the 700 grams per day that ROKG calculations assume. Yang agreed enthusiastically with Washington's suggestion, conveyed by POL M/C, to hold in-depth bilateral discussions on food aid to North Korea, saying that he would prefer to come to Washington with colleagues soon for such talks. Embassy will follow up.

¶11. (SBU) In reply to POL M/C's question about the current food situation in North Korea, MOFAT gave us a summary of Ministry of Unification/National Intelligence Service information:

-- The DPRK's grain shortfall for 2007 is expected to be 1.7 million mt, worse than in recent years (about 1.1 million mt).

-- The above figure is based on (a) expected demand for 6.5 million mt (in turn based on 700 grams/per person/per day; population of 25.4 million), and (b) expected supply of 4.4 million mt produced domestically, plus 0.3 million mt of aid, not counting the 400,000 mt that the ROKG plans to provide.

-- MOFAT agrees with Washington's point that the DPRK faces a serious food supply deficit.

-- The above estimates do not take into account grain purchased from abroad (nfi).

COMMENT

¶12. (C) We believe that the ROKG will send 5,000 mt of rice to North Korea around the end of May whether or not there is progress on the February 13 "Initial Actions" agreement. This amount has already been contracted, and the ROKG would face a penalty payment if the contract is not exercised. Even MOFAT is no longer resisting this initial shipment. Thereafter, overall ROKG assistance to North Korea gets complicated by the 6PT and domestic ROK politics. President Roh wants to show greater progress in inter-Korean relations, especially in the form of additional family reunions, expansion in the Kaesong Industrial Complex, and confidence-building measures like General Officer-level talks or Defense Ministerial talks. The big prize for Roh, of course, is a North-South summit, which, many South Koreans are convinced, has the potential to influence the presidential election in December in favor of the progressives. For the Roh administration, rice assistance is a small, but an important, part of intensifying engagement with North Korea. END COMMENT.

VERSHBOW